

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF IOWA

In re:	)	Chapter 11
)	
QHC Facilities, LLC et al.,¹	)	Case No. 21-01643-als11
	)	Jointly Administered
Debtors.)	
	)	Hon. Anita L. Shodeen
)	
	)	DEBTORS' <u>EMERGENCY</u> MOTION
	)	SEEKING ADVANCED AUTHORITY
	)	TO CLOSE HUMBOLDT SOUTH,
	)	MITCHELLVILLE, AND
	)	SUNNYCREST FACILITIES
)	
	)	No Hearing Set

COMES NOW, QHC Facilities, LLC, and its above referenced affiliates (“QHC” or the “Debtors”), Debtors and Debtors in Possession herein, by and through their duly-employed General Reorganization Counsel, Jeffrey D. Goetz, Esq. and Tirzah R. Roussell, Esq. of the law firm Bradshaw, Fowler, Proctor & Fairgrave, P.C., and General Reorganization Co-Counsel, Krystal R. Mikkilineni, Esq., of the law firm Dentons Davis Brown respectfully file this Emergency Motion Seeking Advanced Authority to Close Humboldt South, Mitchellville, and Sunnycrest facilities (the “Motion”), and would show this Honorable Court as follows:

1. On December 29, 2021 (the “Petition Date”), the Debtors filed their voluntary petitions under Chapter 11 of the Bankruptcy Code (Docket No. 1), and the Debtors are duly operating as a debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108.

¹ The Jointly Administered Debtors in this proceeding are *In re QHC Management, LLC* (Case No. 21-01644-als11), *In re QHC Mitchellville, LLC* (Case No. 21-01645-als11), *In re QHC Winterset North, LLC* (Case No. 21-01646-als11), *In re QHC Madison Square, LLC* (Case No. 21-01647-als11), *In re QHC Fort Dodge Villa, LLC* (Case No. 21-01648-als11), *In re Crestridge, Inc.* (Case No. 21-01649-als11), *In re Crestview Acres, Inc.* (Case No. 21-01650-als11), *In re QHC Humboldt North, LLC* (Case No. 21-01651-als11), *In re QHC Humboldt South, LLC* (Case No. 21-01652-als11) and *In re QHC Villa Cottages, LLC* (Case No. 21-01653-als11).

2. The Debtors, headquartered in Clive, Iowa and employing approximately 300 people, are licensed operators of 8 skilled nursing facilities (the “Skilled Nursing Facilities”) and 2 assisted living facilities (the “Assisted Living Facilities”) comprising nearly 750 licensed beds/units across Iowa. Debtors offer the following suite of services: (i) skilled nursing, (ii) restorative nursing, (iii) respite care, (iv) physical therapy, (v) long term care, (vi) occupational therapy, (vii) hospice care, (viii) dementia care, (ix) Alzheimer’s care, and (x) rehabilitation therapy in the following Iowa counties: Tama, Madison, Humboldt, Jackson, Linn, Webster, and Polk.

3. On January 28, 2022, the Debtors filed a Motion for Orders (I)(A) Approving Bidding Procedures; (B) Scheduling the Time, Date, and Form of Notice for the Auction and Sale Hearing; and (C) Approving the Break-Up Fee; and (II)(A) Approving the Sale Free and Clear of Liens, Claims, Interests & Encumbrances; and (B) Authorizing Assumption and Assignment or Rejection of Leases and Executory Contracts (Docket No. 117) (the “Sale Motion”).

4. On February 11, 2022, the Court entered An Order (A) Approving the Bidding Procedures in Connection with the Auction and Sale Hearing; (B) Approving Assumption and Assignment Procedures; (C) Approving the Break-up Fee; and (D) Granting Other Related Relief. (Docket No. 164) (the “Bidding Procedures Order”).

5. On March 4, 2022, pursuant to the Bidding Procedures Order, the Debtors conducted an auction (the “Auction”) with respect to the Debtors’ Assets.

6. The Debtors determined the highest and best Qualified Bid for the Assets at the Auction (the “Successful Bid”) was made by Cedar Healthgroup, LLC (“Cedar Healthgroup” or the “Successful Bidder”).

7. The Debtors determined the second highest and best Qualified Bid for the Assets at the Auction (the “Backup Bid”) was made by Blue Diamond Equities, LLC (the “Backup Bidder”).

8. On March 11, 2022, this Court held a Sale Hearing to consider approval of the sale of the Debtors’ Assets to Cedar, free and clear of liens, claims, interests, and encumbrances in accordance with Bankruptcy Code section 363(f), and on March 17, 2022, this Court entered an Order authorizing the Sale (Docket No. 217) (the “Sale Order”).

9. On March 24, 2022, this Court held a telephonic hearing and entered an order stating that there was a breach by Cedar Healthgroup, LLC (Docket No. 224) (the “March 24 Order”). The March 24 Order further approved Blue Diamond Equities, LLC (the “Buyer”) as the designated purchaser of the facilities.

10. On a conference call today, it was brought to the Debtors’ attention by the manager, Blue Care Homes, LLC (the “Manager” or “Blue Care”) that a flooring issue exists at the Humboldt South facility which could lead to resident health, safety and welfare concerns.

11. Unless the Manager is able to remediate the issue immediately, the Debtors are seeking advanced authority to immediately commence process to close the facility.

12. The Manager intends to move the remaining residents from Humboldt South to Humboldt North.

13. Furthermore, the Debtors are seeking advanced authority to close the Mitchellville and Sunnycrest facilities, in addition to Humboldt South, because each are operating at a seriously diminished census level making it uneconomic to continue operations.

14. The Debtors believe the requested authority to take such actions is necessary in order to further negotiations with the Buyer in order to close the overall sale of the Debtors’

facilities.

15. The cost of closure of these facilities will be borne by the Manager.

16. Once the Debtors receive Court authority to close (if needed), the Manager will then file a plan of closure with the Iowa Department of Inspections and Appeals for authority to close the facilities.

WHEREFORE, the Debtors request the Court enter an order granting advanced authority for the Debtors to close Humboldt South, Mitchellville, and Sunnycrest facilities.

Date: June 23, 2022

Respectfully submitted,

/s/ Tirzah R. Roussell

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CERTIFICATE OF SERVICE

This document was served electronically on parties who receive electronic notice through CM/ECF as listed on CM/ECF's notice of electronic filing.

/s/ Barbara Warner